Financial Statements and Independent Auditors' Report

Big Brothers Big Sisters of Central Carolinas

As of June 30, 2016 and 2015

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VANCE FLOUHOUSE & GARGES, PLLC
Certified Public Accountants and Consultants

Independent Auditors' Report

To the Board of Directors of
Big Brothers Big Sisters of Central Carolinas:

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Central Carolinas, formerly Big Brothers Big Sisters of Greater Charlotte, (the "Organization") which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

7725 Ballantyne Commons Pkwy., Suite 103 • Charlotte, North Carolina 28277 • 704-369-7200 • fax 704-362-0411 • www.vfgcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Central Carolinas as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Big Brothers Big Sisters of Central Carolinas as of June 30, 2015, were audited by other auditors whose report dated December 8, 2015, expressed an unmodified opinion on those statements.

Report on Supplemental Information

The June 30, 2015 supplemental schedule of functional expenses on page 15 was subjected to the auditing procedures applied in the June 30, 2015 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2015 financial statements as a whole.

Charlotte, North Carolina
December 07, 2016

Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	**$ 645,988**	$ 762,584
Promises to give, net	**596,615**	581,049
Prepaid expenses and other current assets	**23,436**	14,030
Property and equipment, net	**518,192**	534,474
Deferred financing costs, net	**1,715**	2,437
Total assets	**$ 1,785,946**	$ 1,894,574
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 112,971**	$ 143,539
Mortgage payable	**381,825**	405,472
Total liabilities	**494,796**	549,011
Net Assets:		
Unrestricted	**587,787**	808,966
Temporarily restricted	**703,363**	536,597
Total net assets	**1,291,150**	1,345,563
Total liabilities and net assets	**$ 1,785,946**	$ 1,894,574

Statements of Activities

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	**Total**
Revenues:			
Grants	$ 398,920	$ 221,346	**$ 620,266**
United Way	37,833	310,446	**348,279**
Contributions	605,908	2,000	**607,908**
Special events	449,001	-	**449,001**
Rental income and other	373	173	**546**
Net assets released from restrictions	367,199	(367,199)	**-**
Total revenues	1,859,234	166,766	**2,026,000**
Expenses:			
Program services	1,723,602	-	**1,723,602**
Management and general	71,648	-	**71,648**
Fundraising	285,163	-	**285,163**
Total expenses	2,080,413	-	**2,080,413**
Change in net assets	(221,179)	166,766	**(54,413)**
Net assets at beginning of year	808,966	536,597	**1,345,563**
Net assets at end of year	$ 587,787	$ 703,363	**$ 1,291,150**

Statements of Activities

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	$ 459,889	$ 78,000	$ 537,889
United Way	13,904	293,793	307,697
Contributions	866,857	1,400	868,257
Special events	310,821	-	310,821
Rental income and other	8,864	180	9,044
Net assets released from restrictions	562,643	(562,643)	-
Total revenues and other support	2,222,978	(189,270)	2,033,708
Expenses:			
Program services	1,694,003	-	1,694,003
Management and general	77,827	-	77,827
Fundraising	315,987	-	315,987
Total expenses	2,087,817	-	2,087,817
Change in net assets	135,161	(189,270)	(54,109)
Net assets at beginning of year	673,805	725,867	1,399,672
Net assets at end of year	$ 808,966	$ 536,597	$ 1,345,563

Statement of Functional Expenses

Year ended June 30, 2016

	Program	Management and General	Fundraising	**Total Expenses**
Salaries and related expenses	$ 983,187	$ 45,480	$ 152,623	**$ 1,181,290**
Payroll taxes	92,610	4,284	14,376	**111,270**
Benefits	100,736	4,660	15,637	**121,033**
Total employee expenses	1,176,533	54,424	182,636	**1,413,593**
Professional fees	90,262	4,175	14,012	**108,449**
Occupancy	48,076	2,224	7,463	**57,763**
Depreciation and amortization	16,649	770	2,585	**20,004**
Insurance	28,324	1,310	4,397	**34,031**
Office	50,817	2,351	7,889	**61,057**
Advertising	38,404	1,777	5,962	**46,143**
Interest	11,739	543	1,822	**14,104**
Conferences and training	19,446	899	3,018	**23,363**
Telephone	14,608	676	2,268	**17,552**
Travel	19,393	897	3,010	**23,300**
Dues	49,139	1,555	5,218	**55,912**
Fundraising events	48,273	-	42,809	**91,082**
Background checks	3,196	-	-	**3,196**
Donor cultivation	-	-	1,915	**1,915**
Scholarships and grants	107,717	-	-	**107,717**
Miscellaneous	1,026	47	159	**1,232**
Total expenses	$ 1,723,602	$ 71,648	$ 285,163	**$ 2,080,413**

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (54,413)**	$ (54,109)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	**20,004**	17,759
Changes in operating assets and liabilities:		
Unconditional promises to give	**(15,566)**	86,717
Prepaid expenses and other assets	**(9,406)**	(5,510)
Accounts payable and accrued expenses	**(30,568)**	57,195
Net cash provided by (used in) operating activities	**(89,949)**	102,052
Cash flows from investing activities:		
Payments for the purchase of furniture and equipment	**(3,000)**	(11,245)
Net cash used in investing activities	**(3,000)**	(11,245)
Cash flows from financing activities:		
Payments on mortgage payable	**(23,647)**	(22,849)
Net cash used in financing activities	**(23,647)**	(22,849)
Net increase (decrease) in cash	**(116,596)**	67,958
Cash at beginning of year	**762,584**	694,626
Cash at end of year	**$ 645,988**	$ 762,584
Supplemental cash flow information:		
Interest paid	**$ 14,104**	$ 15,070

Notes to Financial Statements

June 30, 2016 and 2015

1. Organization and Nature of Business

Big Brothers Big Sisters of Central Carolinas, formerly Big Brothers Big Sisters of Greater Charlotte, (the "Organization"), a member affiliate of Big Brothers Big Sisters of America, was organized in Charlotte, North Carolina as a not-for-profit corporation for the purpose of providing children facing adversity with strong and enduring, professionally supported 1-to-1 relationships. The Organization is also a member agency of United Way of Central Carolinas, Inc. ("United Way") and receives a portion of its support in the form of allocations from United Way.

2. Summary of Significant Accounting Policies

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board *Accounting Standards Codification (ASC) 958-205 Not-for-Profit Entities: Presentation of Financial Statements.* Under *ASC 958-205*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

> *Unrestricted net assets:* Net assets that are not subject to donor-imposed stipulations.
>
> *Temporarily restricted net assets:* Net assets subject to donor-imposed restrictions that expire when a stipulated time restriction ends or purpose restriction is accomplished.
>
> *Permanently restricted net assets:* Net assets subject to donor-imposed restrictions that must be maintained permanently by the organization. Generally the donors of these assets permit the organization to use all or part of the income earned on the related investment for general or specific purposes. The Organization has no permanently restricted net assets.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is when a stipulated time restriction ends or a purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are classified as unrestricted contributions.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents
The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

The Organization places its cash on deposit with one financial institution in the United States. The accounts are guaranteed by the Federal Deposit Insurance Corporation up to $250,000 per bank. During the year, the Organization had amounts on deposit in excess of the insured limits. At June 30, 2016, the cash balance at one institution was approximately $396,000 in excess of the federally insured limits.

Promises to Give

Contributions and grants receivable are recognized upon notification of a donor's unconditional promise to give to the Organization. Unconditional promises to give consist of pledges from individuals, allocations and designations from United Way and grants from various organizations. Unconditional promises to give that are expected to be collected in less than one year are recognized at net realizable value. The fair value of amounts due in more than one year are measured at the present value of the unconditional promise to give using a discount rate of 5%. Management's determination of the allowance for doubtful accounts is based on an analysis of historical collection trends, experience with the donor and current and anticipated economic conditions. Promises to give are written-off when, in the opinion of management, such receivables are deemed to be uncollectible. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in formulating the initial evaluations.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Depreciation is computed using primarily the straight-line method over the estimated lives of the assets, ranging from three to forty years. Improvements to property and equipment that do not extend the useful life of the asset are expensed in the year incurred. When property and equipment are retired, the cost and related accumulated depreciation are removed from the accounts with any gain or loss recognized in the statement of activities.

Deferred Financing Cost

Financing cost incurred in connection with the refinancing of existing mortgages payable is deferred and amortized over the life of the mortgage. Accumulated amortization at June 30, 2016 and 2015 was $1,895 and $1,173, respectively.

In-Kind Contributions

The Organization receives in-kind contributions during the year in the form of advertising, property usage, marketing materials, tickets to sporting and cultural events and other similar type items. These items are in addition to the donated services. In-kind contributions are recorded at fair value, which is generally the value that would be paid for such item if the Organization purchased the item directly. The fair value of in-kind items received is included in contribution revenue. The in-kind items are generally used for match activities, fund raising events, or promotion of the Organization to the general public and are included in the related expense when utilized. During the years ended June 30, 2016 and 2015 the value of in-kind contributed items in contribution revenue and expenses was $125,616 and $72,578, respectively.

Advertising

The Organization expenses all advertising and promotion costs in the period the expense is incurred.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Organization has analyzed its operations subsequent to June 30, 2016, through December 07, 2016, the date the financial statements were available to be issued.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2016 and 2015 as follows:

	2016	2015
Promises in less than one year	**$ 495,801**	$ 565,161
Promises in two to five years	**142,899**	90,123
Gross pledges receivable	**638,700**	655,284
Less: allowance for uncollectible pledges	**(42,085)**	(69,642)
	596,615	585,642
Less: present value discount (discount rate of 5%)	**-**	(4,593)
Promises to give, net	**$ 596,615**	$ 581,049

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Buildings	**$ 537,600**	$ 537,600
Furniture, fixtures and office equipment	**45,054**	42,054
Computer equipment	**53,910**	53,910
	636,564	633,564
Less accumulated depreciation	**(118,372)**	(99,090)
	$ 518,192	$ 534,474

Depreciation expense for the years ended June 30, 2016 and 2015 was $19,282 and $17,037, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 consisted of funds for activities in subsequent years as follows:

	2015	Additions	Utilized	**2016**
Time Restrictions:				
United Way	$ 278,793	$ 310,446	$ (278,793)	**$ 310,446**
Other grants	78,000		(78,000)	**-**
Use Restrictions:				**-**
Jill Bosse Scholarship Fund	179,804	2,173	(10,406)	**171,571**
School-Based Mentoring	-	107,500	(30,064)	**77,436**
Mentor 2.0	-	110,000	(70,753)	**39,247**
Community-Based Mentoring	-	7,366	(7,366)	**-**
Cabarrus County	-	130,066	(65,339)	**64,727**
Beyond School Walls	-	70,000	(30,064)	**39,936**
	$ 536,597	$ 737,551	$ (570,785)	**$ 703,363**

6. Line of Credit

The Organization has a line of credit with the bank for $100,000 with no stated expiration date. Interest accrues on the unpaid principal balance at the prime plus 1.2%. At June 30, 2016 and 2015, there was no outstanding balance on the line of credit.

7. Mortgage Payable

In November 2013, the organization refinanced the outstanding mortgage. The note calls for monthly payments of $3,158, including interest of 3.55% through December 1, 2016 with a balloon payment of $372,832 due and payable on such date. The mortgage loan is collateralized by a leasehold on the building located at 3801 E. Independence Boulevard, Charlotte, North Carolina, an assignment for all rents received on the property, and an assignment of the current ground lease. The Organization plans to refinance the mortgage in December 2016.

8. Land Lease

The Organization assumed an existing land lease in conjunction with the purchase of its office in January, 2009. The lease automatically renews in January every five years unless terminated by the Organization, and the rent escalates at each renewal date. The next scheduled renewal is January 2020. For the years ended June 30, 2016 and 2015, the rent expense related to the land use was $18,096 and $17,400.

Expected future minimum lease payments for each of the next five years as of June 30, 2016 are as follows:

2017	$ 18,096
2018	18,096
2019	18,096
2020	18,846
2021	19,596

9. Donated Services

Contributions of services are reflected in the financial statements at the fair value of the services rendered. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Management estimates the value of volunteer mentors' time for the years ended June 30, 2016 and 2015 to be approximately $2,800,000 and $2,640,000, respectively.

10. Retirement Plan

The Organization has a defined contribution plan for the benefit of its employees under Section 401(k) of the Internal Revenue Code. For the years ended June 30, 2016 and 2015, the Organization made matching contributions of $10,699 and $11,965, respectively.

11. Commitments

On March 31, 2014, the Organization entered into an agreement with a third party in which the third party would provide software licensing and consulting services to the Organization. The initial term of the agreement ended June 30, 2016, and now the agreement is on auto renewal for one year terms. The fees for year ending June 30, 2017 will be $35,000.

12. Concentrations

During the fiscal year ending June 30, 2016, United Way provided 17% of total contributions and 6 other donors provided another 23% of total contributions.

13. Related Parties

During the fiscal year ending June 30, 2016, payments were made to affiliates as follows:

	Purpose	Amount
Big Brothers Big Sisters of America	Annual Affiliate Fees	$ 15,525
Big Brothers Big Sisters of America	Other Fees	7,250
BBBS of the Triangle	Lobbyist Fees	2,205
BBBS of the Central Piedmont	Purchase of Materials	530
Kansas Big Brothers Big Sisters	Training expenses	1,581

Big Brothers Big Sisters of America (BBSA) conducts fundraising on behalf of local affiliates and allocates out those contributions to the local organizations. During the fiscal year ending June 30, 2016, BBSA contributed $97,256 to the Organization.

Supplemental Information

Schedule of Functional Expenses

Year ended June 30, 2015

	Program	Management and General	Fundraising	**Total Expenses**
Salaries and related expenses	$ 886,197	$ 46,793	$ 170,618	**$ 1,103,608**
Benefits	97,353	5,140	18,743	**121,235**
Payroll taxes	87,000	4,594	16,750	**108,344**
Total employee expenses	1,070,550	56,527	206,111	**1,333,187**
Professional fees	179,383	9,472	34,536	**223,391**
Occupancy	59,816	2,365	8,622	**70,803**
Depreciation and amortization	14,260	753	2,746	**17,759**
Insurance	27,566	1,456	5,307	**34,329**
Office	39,882	2,106	7,678	**49,666**
Advertising	14,020	740	2,699	**17,459**
Interest	12,101	639	2,330	**15,070**
Conferences and training	8,823	466	1,699	**10,988**
Telephone	12,733	672	2,451	**15,857**
Travel	14,402	760	2,773	**17,935**
Dues and subscriptions	46,480	1,712	6,242	**54,434**
Fundraising events	53,139	-	31,972	**85,111**
Background checks	6,528	-	-	**6,528**
Donor cultivation	-	-	242	**242**
Scholarships and grants	56,116	-	-	**56,117**
Bad debt expense	75,197	-	-	**75,197**
Miscellaneous	3,007	159	579	**3,744**
Total expenses	$ 1,694,003	$ 77,827	$ 315,987	**$ 2,087,817**